

Building Valuation Loss Assessment (BVLA)

The first step in this method requires an accurate building valuation. An adjuster may perform this with any reputable residential building appraisal guide, computer or manually completed. From this valuation the adjuster pulls the total square footage for the first floor living space (affected SF), the square foot value (SF value), and the rate of depreciation.

Once the accurate building valuation is complete, the adjuster selects one of three scope of repair types which is certain to the loss:

- A 4-foot interior scope of repair, such as a 4-foot flood cut for drywall and no greater;
- A 6-foot interior scope of repair, a scope above 4-foot which does not include ceilings;
- An 8-foot interior scope of repair, a scope to repair all floor surfaces, all finished wall, and all ceiling surfaces.

NOTE: When the adjuster, or examiner, determines the scope of repair is in between two scopes, the correct selection is the lower level scope. Similarly, if the scope selected by the adjuster is not completely representative to the actual scope to repair, the BVLA must be corrected to apply the lower level scope.

CAUTION: *If a loss does not fully meet the 4-foot interior scope, for example a partial or floor- only loss, BVLA may not be utilized.*

After selecting the scope of repair, the adjuster enters the affected square footage (SF) and SF value. The adjuster will also need to answer several loss specific questions. For example, with the 4-foot interior scope:

- Is the dwelling's 1st floor a concrete slab or subfloor over frame? <slab or subfloor>
- Are the wall outlets part of the scope to repair? <yes or no>
- Is the HVAC ruined? <exterior, interior, both, or none>
- Is the siding or sheathing ruined? <siding, sheathing, both, or none>

Next, BLVA requires the adjuster to input data for the following decisions:

- SF unit-price for: floor flood cleanup, wall flood cleanup, application to treat against mold and mildew, and the policyholder allowance to perform building dry-out
- Any local or municipal sales tax percentage rate (State sale tax rate is built-in)
- Rate of depreciation from the building valuation
- Coverage A building deductible

- RC or ACV Loss Settlement <RC or ACV>

BVLA applies the appropriate portion of loss from the selected scope of repair, to the building trade groups, such as flooring, cabinetry, plumbing, etc., which are pre-defined to the building valuation. This method produces a damage estimate by trade, which documents a reliable and credible value necessary to issue a large undisputed loss payment prior to the completion of the claim. BLVA purposely excludes the value of foundation damage and garages. BLVA may only use a pre-flood SF value from the building valuation.

These measures, along with the certain scope of repair, help to ensure the BVLA value will not over- estimate. If completed as described, this method meets SFIP requirements, in that it documents the loss and justifies a post-inspection advance payment for the definite amount of covered loss. In cases

when the BVLA exceeds policy limits plus the deductible, the insurer may pay the policy limit with a complete adjuster report and promptly close the claim. In cases when the BVLA result is below the coverage limits purchased by the policyholder, the adjuster should obtain a copy of the signed contract to repair from the policyholder, when available, then complete an itemized estimate as normal. The BLVA is unrelated to the adjuster's itemized estimate or the proof of loss, as the purpose is only for providing an undisputed loss payment prior to completion of the claim.

Building Valuation Loss Assessment Frequently Asked Questions

What is Building Valuation Loss Assessment (“BVLA”)?

BVLA is a method to document a large post-inspection advance payment. It uses the building valuation prepared by the adjuster and compares it to one of three pre-defined scopes to repair. BVLA allocates a proportion of the building valuation to each standard building trade group. It identifies the appropriate percent of damage to each trade based on the scope to repair, and uses the value as the cost to repair that trade. For example, with a 4 foot scope to repair which includes wall outlets, BVLA will attribute approximately 25% of the entire value of the electrical trade group to account for the cost to remove and replace of all electrical wall outlets, CATV, phone and internet outlets, plus wire runs.

Why use BVLA? Isn't the policyholder already able to receive an advance payment?

With an advance payment supported by BVLA, the policyholder can hire a general contractor sooner and begin recovering after their loss. Often times, after performing building tear-out, cleanup, treatment, building dry-out and restoration of required utilities, any remaining funds from a standard advance payment are

inadequate for the policyholder to hire a general contractor and give a down payment necessary to start repairs. With additional money the policyholder can secure a contractor. Once the policyholder secures a signed contract and estimate from the contractor, the policyholder can then forward it to the adjuster sooner. After preparing the itemized estimate, this provides the adjuster with the best chances to find an agreement, adjust the estimate, and promptly settle the claim. A policyholder who received a pre-inspection advance payment can still receive additional money through use of BVLA.

Table: Example Policyholder Experience

Sample: Policyholder with \$250,000 building limits and a \$2,000 deductible.

Timing	Amount	Payments
Pre-inspection advance payment	\$ 5,000	\$ 5,000
BVLA-supported (post-inspection) advance payment	\$ 70,000	\$65,000
Adjuster closing report	\$100,000	\$28,000
Total to policyholder (less deductible)		\$98,000

Will a new method introduced during a flood catastrophe cause confusion?

FEMA designed BVLA to use existing information in order to support making a large post-inspection advance payment. As a result, FEMA does not anticipate confusion because flood adjusters of all experience levels should find BVLA intuitive. BVLA includes just 10 decision points that adjusters of all experience levels should find familiar. The larger post-inspection advance payments supported by BVLA should facilitate a positive relationship between the adjuster and the policyholder and provide a solid foundation for discussion and settlement of the claim.

Can a BVLA be used on any flood claim?

No, adjusters should only use BVLA on losses insured under the Dwelling Form, which result in at least a 4 foot scope to repair on all walls in the affected floor level, flooring, cabinets, doors, and kitchen appliances. Due to other factors BVLA does not support the following Dwelling Form loss types: Post-FIRM elevated building or Pre-FIRM enclosure-only loss; partial floor level, partial wall, or floor-only damage; exterior-only, crawlspace-only, or basement-only loss; a mobile-home, condominium unit, or a 3 or more family residential dwelling.

What if we don't want to use BVLA? Does FEMA require it?

No, FEMA does not require a Write Your Own (WYO) Company, adjusting firm, or adjuster to use BVLA. Any claim operation or individual uncomfortable with BVLA, in whole or in part, should not use BVLA until they are ready to do so.

When should the adjuster perform and submit the BVLA?

An adjuster should perform BVLA on an eligible Dwelling Form loss as soon as

possible, ideally with the Preliminary Report. The adjuster should first complete the inspection photograph sheets with annotations and an accurate building valuation. Once done, the adjuster performs and submits the BVLA with the Preliminary Report, photographs, and building valuation.

Is a large BVLA advance payment considered safe?

When performed properly a large BVLA amount as an advance is safe because BVLA:

- Uses pre-disaster pricing from the building valuation
- Applies a “location modifier” on losses where post-disaster pricing may not exist
- Applies a “size modifier” on the largest dwellings
- Does not consider the value of damage to the building’s structure or foundation
- Does not include the cost to repair a garage, porch, basement, or attached exterior room
- Uses the “at least” scope to repair, the certain minimum, and considers the lesser valued option within its formulas.

How does one avoid or check for an error in BVLA?

- **Affected square footage.** Make sure the square footage used is only the flooded finished first floor living area. Do not include a garage, an attached exterior room, porch, or basement.
- **Pre-disaster pricing only.** The adjuster must use pre-disaster pricing when completing the building valuation. When using BVLA, the adjuster must not consider any post-disaster factors which may increase the cost to repair. The adjuster will consider those factors when completing the itemized estimate and negotiating the settlement.
- **Dwelling quality type.** The adjuster must classify the dwelling to the quality class best representative to the building. If the wrong quality is selected to complete the building valuation, the BVLA will over-value or under-value the BVLA amount. When in doubt, err to the side of caution and chose the surest building quality type.
- **Select the proper scope to repair.** Adjusters must select the “at least” scope to repair: 4 foot, 6 foot, or 8 foot. The loss must fully meet the criteria of the selected scope. When the loss appears to be in between two defined scopes, choose the “at least” and certain scope.
- **Scope of damage information.** The adjuster should make sure the information entered in the scope of damage information section is accurate and supported by the photographs.
- **Prior loss.** When it comes to a prior loss, play it safe. Always ask the policyholder at the inspection what or how much was not repaired. Often time the policyholder cannot remember. Ask for a simple percentage amount of what was not repaired, add +10%, then multiply this percentage against the total paid in the prior. Input the resulting dollar amount in the

BLVA as the estimated unrepaired amount paid for prior loss.

Example:

- The insurer paid \$100,000 to the policyholder after a loss in 2015
- Policyholder states they repaired 85% of damages

- 15% is the percentage of unrepaired value of damage
- Add 10% to the 15% for safety
 - $\$100,000 \times 25\% = \$25,000$
- Enter \$25,000 as the unrepaired amount paid for in prior loss

What if BVLA exceeds the building policy limit?

After verifying the accuracy of the information entered into the BVLA, the adjuster should submit the closing report for processing, along with all of the normal documentation (minus the itemized estimate). If the insurer agrees with the accuracy of the BLVA, and the adjuster closing report includes the documentation which supports the loss and the BVLA amount, the insurer may pay and close the claim at policy limits.

What does the adjuster do after submitting BVLA which is less than policy limits?

The adjuster continues to handle the claim as normal. If the BVLA is in-line, the insurer will have issued a large advance payment to the policyholder. Request the policyholder to use the large advance to hire a local or state qualified contractor, and provide the contractor's signed estimate to the adjuster. The adjuster completes the itemized estimate as normal and negotiates the loss settlement with the policyholder. The adjuster provides the itemized estimate to the policyholder.

Does the adjuster use BVLA to negotiate or to settle the claim?

No. The BVLA exists solely to document a large post-inspection advance payment. Once the adjuster submits the BVLA and an advance is paid, the BVLA holds no bearing on the outcome of the policyholder's claim, the proof of loss, or any review of the adjuster's itemized estimate.

Is it possible that BVLA can result in an overpayment to the policyholder?

BVLA has safeguards to avoid over-evaluating the scope of repair and protect against an overpayment, while remaining large enough to document the quick closing of severely under-insured loss. If egregious enough, the following error type may result in an overpayment with BVLA.

- **Non-eligible building type.** BVLA does not perform with condominium building, a non- residential building, a 3 or more family residential building, or a mobile-home dwelling.

- **Non-eligible Dwelling loss type.** BLVA does not perform with a Dwelling Form loss, which does not meet the minimum criteria of a complete 4 foot scope to repair (walls to 4 feet, floors, doors, trim, cabinets, and kitchen appliances).
- **Building quality.** If the building valuation grossly exaggerates in the dwelling's quality by two or more class levels, the net payable may approach or fall below the BVLA, if the adjuster correctly values the estimates to represent to the building quality.
- **Square footage.** If the affected SF of the finished first floor living space is grossly inaccurate, the BVLA will be overvalued. For example if too large of a garage, basement, porch, an attached exterior room or an area which is under-construction is added to the BVLA, the adjuster's estimate may approach or fall below the BVLA.